

Message Text

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SUBJECT: CORNING NEGOTIATIONS ON LICENSE OF RIBBON MACHINE
TECHNOLOGY

SUMMARY. CORNING INTERNATIONAL INITIALLED AN UNDERSTANDING WITH SOVIET FOREIGN TRADE COMPANY LICENSINTORG DECEMBER 21 CONCERNING \$9.5 MILLION SALE OF LICENSE AND EQUIPMENT TO PRODUCE RIBBON MACHINE FOR INCANDESCENT GLASS ENVELOPES IN LVOV. CORNING OFFICIAL HAD PLANNED TO SIGN LICENSING AGREEMENT BUT UNEXPECTEDLY FAILED TO RESOLVE \$270,000 DIFFERENCE OVER PAYMENT FOR 180 MAN MONTHS OF AMERICAN PARTICIPATION IN PLANT CONSTRUCTION AND DESIGN. END SUMMARY.

1. CORNING INTERNATIONAL CORPORATION VICE PRESIDENT PIERRE-LOUIS ROEDERER AND RICHARD O'BRIEN, SENIOR VICE PRESIDENT OF US-USSR TRADE AND ECONOMIC COUNCIL (ON LEAVE FROM CORNING), CALLED ON E/C COUNSELOR DECEMBER 21 TO PROVIDE FOLLOWING INFORMATION ON BUSINESS-CONFIDENTIAL BASIS:

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--CORNING HAS REACHED AGREEMENT WITH LICENSINTORG AND THE ELECTRICAL EQUIPMENT MINISTRY TO PROVIDE LICENSE AND EQUIPMENT FOR CONSTRUCTION OF A RIBBON MACHINE FOR PRODUCTION OF INCANDESCENT GLASS ENVELOPES. THE MACHINE, WHICH IS SIMILAR TO OTHERS SOLD BY CORNING IN HUNGARY AND POLAND, CAN PRODUCE BETWEEN 400 AND 2,000 UNITS PER MINUTE.

-- TERMS ARE \$9.5 MILLION CASH, THOUGH NOT PAYABLE AT ONCE.
NO CREDIT FINANCING IS INVOLVED. CORNING'S PROFIT IS SMALLER
THAN THAT RECEIVED IN HUNGARY.

-- RIBBON MACHINE WILL BE PRODUCED IN FACTORY AT LVOV WHICH
HAS BEEN UNDER CONSTRUCTION BUT NOW MUST BE REFITTED TO ACCOMMODATE
CORNING PRODUCT. PRODUCTION IS TO BEGIN IN 1979.

-- CORNING WILL PROVIDE 180 MAN MONTHS OF TECHNICAL ASSISTANCE,
BEGINNING ABOUT EIGHTEEN MONTHS AFTER SIGNATURE OF CONTRACT.
12-15 FAMILIES, INCLUDING CHILDREN, WILL RESIDE IN LVOV DURING
PERIOD OF CONSTRUCTION.

-- LICENSING AGREEMENT WAS TO BE SIGNED DECEMBER 21 AT US-USSR
TRADE AND ECONOMIC COUNCIL, WITH SECOND CONTRACT ON EQUIPMENT
TO BE SIGNED IN JANUARY.

3. COMMERCIAL OFFICER VISITED TRADE AND ECONOMIC COUNCIL TO
WITNESS SIGNATURE, BUT AGREEMENT WAS NOT REACHED DUE TO LAST
MINUTE DISAGREEMENT OVER AMOUNT TO BE PAID TO U.S.
TECHNICIANS IN LVOV. O'BRIEN SUBSEQUENTLY INFORMED E/C
COUNSELOR THAT ROEDERER HAD DEPARTED MOSCOW AND WOULD RETURN
TO TRY TO RESOLVE DIFFERENCES ON THIS POINT IN JANUARY. THE
TWO PARTIES INITIALLED PROTOCOL STIPULATING THAT SALE OF THE
LICENSE WAS AGREED WITH THE EXCEPTION OF REMUNERATION OF
TECHNICIANS. O'BRIEN CONFIDED THAT DIFFERENCE BETWEEN TWO SIDES
WAS QUITE SUBSTANTIAL - \$270,000. HE DESCRIBED THE RIBBON
MACHINE AS NOT NEW BUT A "HELL OF A CLASSY MACHINE".

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4. COMMENT: IF CONTRACT CAN BE CONCLUDED NEXT MONTH, IT WILL
REPRESENT IMPORTANT BREAKTHROUGH FOR CORNING IN USSR. OUTSIDE
OF SOME GENERAL AGREEMENTS WITH STATE COMMITTEE FOR SCIENCE
AND TECHNOLOGY, IT HAS NOT HERETOFORE HAD ANY IMPACT ON
SOVIET MARKET.
MATLOCK

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